

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 QUITO 001787

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [AORC](#) [EC](#)

SUBJECT: PALACIO STUMBLES BUT RECOVERS AT 100 DAYS

REF: A. QUITO 1747

[B](#). LIMA 3224

[1](#)1. (SBU) Summary: Tension generated by recent political missteps by President Palacio has been reduced over the past week thanks to Congressional restraint and the intervention of outsiders. Congress' recent votes in favor of the presidential veto on social security and returning his political reforms avoided outright confrontation with the President, and helped prevent the Vice President's widely rumored resignation. Congress' attempt to replace members of the constitutional court remains stalled. The visit of OAS General Secretary Jose Miguel Insulza on July 26-28 helped promote dialogue and democratic reconstruction. Meanwhile, ousted President Lucio Gutierrez, currently in northern Peru (Ref B), clamored for attention, appealed his arrest warrant and said he plans to return to Ecuador soon. Despite this, Presidential advisors seem confident that he will not return, and found a silver lining in Congressional inaction on Palacio's reform proposal. End Summary.

Congress Returns Reform Proposal to President

[1](#)2. (U) Congress formally returned Palacio's seven-point political reform program (Ref A) to him on July 26, requesting he take citizens' suggestions, that had been submitted to the Vice Presidency and Ecuador's modernization council (CONAM), into account before resubmitting a new package. The President reportedly admitted it was an error to submit the seven points prematurely, and instead will speed up the Vice President's timetable for integrating public input to the reform process. The Vice President, who was rumored to be considering resigning in protest over not being consulted by the President before he announced his reforms, now looks likely to stay on. Many in Congress reportedly believed they prevented an institutional crisis that would have resulted if the Vice President resigned. Luis Villacis, a deputy for the MPD party, publicly accused other parties of "going easy" on the President in return for constitutional court seats.

[1](#)3. (SBU) Alexandra Perez, head of CONAM, told PolChief on July 27 that she believes the political reform proposal will have better prospects when resubmitted to Congress, since legislators have publicly committed to consider the revised referendum. The Vice President would now speed up (to 30 days) the analysis of the 7,800 suggestions received from the public before Palacio pushes the issue again, she said.

[1](#)4. (SBU) Presidential Advisor Jose Modesto Apolo told PolChief on July 27 he was receiving criticism (he implied unjustified - MinGov Gandara later admitted to being behind the Presidential surprise) from Congress for being responsible for Palacio's gaffe on political reform. He echoed Perez' view about a "silver lining," namely that Congress would not be able to put forward a competing proposal lacking citizen input.

Congress Votes on Social Security, Constitutional Court

[1](#)5. (U) After returning the President's reform proposal, Congress, meeting in special session, approved the President's amendments to the bill on the return of social security reserve funds to workers, belying concerns that the presidential veto would be overridden by Congress. The line-item veto by the President still means that \$400 million in reserve funds will be returned to the population this year, with the rest to be refunded in 2006-2008.

[1](#)6. (U) Congress then attempted but ultimately did not select members of a new constitutional court, the last item on the agenda for the session. The vote failed when the Pachakutik party dropped out of a coalition with the PSC and ID on the issue. Regrouping in an effort to block alternative proposals, the PSC and ID affirmed that a new constitutional court could not be chosen until a new Supreme Court was in place, according to the Constitution. PRE and MPD party leaders differed, but did not have the votes to push their own candidates.

Insulza Welcomed By All

17. (SBU) OAS Secretary General Jose Miguel Insulza arrived in Ecuador on July 26 to encourage dialogue and democratic institution-building. Insulza publicly emphasized that he came only to complete the OAS mandate of offering assistance to Ecuador. When asked if he believed Ecuador's democratic crisis was over, he replied that it was for Ecuadorians to decide, but that he had a very positive opinion of the situation. Insulza visited the Foreign Ministry, the Supreme Electoral Tribunal (TSE), and met with the President, Vice President, CONAM officials, and Congress members. Insulza also offered OAS technical support for the 2006 elections to TSE officials. Insulza's message of political sacrifice in

SIPDIS

favor of compromise was well received by all he met with, including the local press. OAS sources tell us that the GOE rejected an OAS request to draft a document committing both to a core democratic agenda.

Gutierrez, in Peru, Fights Arrest Warrant

18. (SBU) Gutierrez is appealing his arrest warrant, arguing that the Supreme Court of Quito did not have jurisdiction over alleged crimes committed after his ouster, while in the US. Gutierrez reportedly met with 80 supporters in Tumbes, Peru on July 27. Presidential Advisor Jose Modesto Apolo told PolChief he believed Gutierrez had no intention of risking arrest by crossing into Ecuador. He speculated that Gutierrez remained near the border for "fear of being forgotten by the Ecuadorian public."

Comment

19. (SBU) Approaching 100 days in office, and having just survived his first major setback on reform, we expect greater caution from Palacio, and perhaps even an effort to build political consensus in the future.
MEMMOTT